Canada's Nuclear Regulator

Canadian Nuclear Safety Commission Quarterly Financial Report For the Quarter Ended September 30, 2014 Revised

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Canadian Nuclear Safety Commission
Commission canadienne de sûreté nucléaire

Canada

Canadian Nuclear Safety Commission Quarterly Financial Report
For the Quarter Ended September 30, 2014

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To request a copy of the document in English or French, please contact:

Canadian Nuclear Safety Commission
280 Slater Street
P.O. Box 1046, Station B
Ottawa, Ontario K1P 5S9
CANADA

Tel.: 613-995-5894 or 1-800-668-5284 (in Canada only)
Facsimile: 613-995-5086
Email: info@cnsc-ccsn.gc.ca
Website: nuclearsafety.gc.ca
Facebook: facebook.com/CanadianNuclearSafetyCommission
YouTube: youtube.com/cnscccsn

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Canadian Nuclear Safety Commission
Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

Erratum

Date: December 15, 2014
Location: Departmental Budgetary Expenditures by Standard Object (unaudited), Expended during the quarter ended September 31, 2014, Year-to-date used at quarter-end, Other subsidies and payments.
Revision: "Other subsidies and payments" for "Expended during the quarter ended September 30, 2014 **$(22)** thousands" replaces "Other subsidies and payments **$(49)** thousands", as well as "Other subsidies and payments" for "Year-to-date used at quarter-end **$3,087** thousands" replaces "Other subsidies and payments **$1** thousands".
Rationale for the revision: Pay in arrears transition payments were to be coded to "Other subsidies and payments" rather than "Loans investment and advances" which is not a standard object presented in the Estimates and Public Accounts of Canada.

1. Introduction

This quarterly financial report has been prepared by management, as required by section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board Secretariat. The report should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*. The quarterly financial report has not been subject to an external audit or review.

1.1 Authority, mandate and program activities

The Canadian Nuclear Safety Commission (CNSC) was established on May 31, 2000, with the coming into effect of the *Nuclear Safety and Control Act* (NSCA). The CNSC is a departmental corporation and reports to Parliament through the Minister of Natural Resources.

As an independent regulatory agency and quasi-judicial administrative tribunal, the CNSC has jurisdiction over all nuclear-related activities and substances in Canada. Its mandate under the NSCA is to:

- regulate the development, production and use of nuclear energy in Canada to protect health, safety and the environment
- regulate the production, possession, use and transport of nuclear substances, prescribed equipment and prescribed information

- implement measures respecting international control of the development, production, transport and use of nuclear energy and substances, including measures respecting the non-proliferation of nuclear weapons and nuclear explosive devices
- disseminate scientific, technical and regulatory information concerning the CNSC's activities, and the impact of the development, production, possession, transport and use of nuclear substances on the environment and the health and safety of persons

To deliver on its mandate, the CNSC has four programs: Regulatory Framework, Licensing and Certification, Compliance and Internal Services.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* and the *Main Estimates (Part II)*.

1.2 Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying *Statement of Authorities* includes the CNSC's spending authorities granted by Parliament and those used by the CNSC, consistent with the *Main Estimates* and *Supplementary Estimates* for the 2013–14 and 2014–15 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework, designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government of Canada. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation (in the form of statutory spending authority for specific purposes).

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CNSC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.3 The CNSC's financial structure

The CNSC has a structure where various funding mechanisms are used to deliver its mandate. Most of the CNSC's funding is received from statutory budgetary authorities, with the remainder from voted budgetary authorities.

In Budget 2013, the CNSC received statutory authority – pursuant to subsection 21(3) of the *Nuclear Safety and Control Act* (NSCA) – to spend during a fiscal year any revenues that it receives in the current or previous fiscal year through the conduct of its operations. The revenues received from regulatory fees for licences and applications are charged in accordance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* (CRFR). This authority to spend revenues provides a sustainable and timely funding regime, to address the rapid changes in the regulatory oversight workload associated with the Canadian nuclear industry.

In addition to the statutory authority, the CNSC is also funded through the voted budgetary authority from Parliament (Vote 1 – Program expenditures). Voted authority provides funding for activities exempt from paying fees under the CRFR (i.e., hospitals and universities), as these entities exist for the public good. Additionally, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including non-proliferation activities), public responsibilities (such as emergency management and public information programs), and the updating of the NSCA and its associated regulations.

Contributions to the employee benefit plans are statutory budgetary authorities.

2. Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

This section highlights the significant items that contributed to the net increase or decrease in authorities for the year, and actual expenditures for the quarter and year-to-date ended September 30, 2014.

2.1 Authorities analysis

As reflected in the following authorities table, the CNSC's total authorities available to spend have decreased by $1.1 million (to $127.8 million), or 0.8% as of the end of the second quarter of 2014–15, compared to the same quarter of the previous year. The authorities do not include any amounts related to one-time transition payments of $3.1 million – for implementing salary payment in arrears by the Government of Canada, in the first quarter of 2014–15 – as the CNSC has not yet received the authorities for this amount. These costs are cash-managed by the CNSC and are fully reimbursable from Treasury Board, if requested.

Authorities *(in thousands of dollars)*	2014–15	2013–14	Variance
Vote 1 – Program expenditures	**38,216**	**34,977**	**3,239**
Contributions to employee benefit plans	**4,167**	**4,358**	**(191)**
Expenditures pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	**85,378**	**89,486**	**(4,108)**
Total budgetary expenditures	**127,761**	**128,821**	**(1,060)**

Vote 1 – Program expenditures and contributions to employee benefit plans (EBP)

The total authorities increased by $3.0 million (to $42.4 million), or 7.7%. The increase is mainly due to:

- $1.6 million increase due to the timing approval for operating budget carry-forward
- $1.1 million increase in funding, as a result of the completion of the repayment of the loan to Treasury Board Secretariat (TBS) Management Reserve for facility improvements to the CNSC's Telesat location
- $0.9 million increase associated to the Single Window horizontal initiative under the *Perimeter Security and Economic Competitiveness* (also known as "Beyond the Border Action Plan")
- $0.2 million decrease in contributions to EBP
- $0.2 million decrease for the transfer of workplace technology devices initiative to Shared Services Canada
- $0.2 million decrease for the transfer to Department of Foreign Affairs, Trade and Development, to fund CNSC employee on a mission abroad

Budgetary statutory authority – Expenditures pursuant to subsection 21(3) of the NSCA

The CNSC's statutory authority for expenditures pursuant to subsection 21(3) of the NSCA is based on the CNSC's forecast of yearly expenditures for activities subject to cost recovery fees. The total authorities have decreased by $4.1 million (to $85.4 million), or 4.6% – mainly due to a decrease in forecasted expenditures, as a result of the shutdown of the Gentilly-2 Nuclear Generating Station (NGS), as well as a decrease in forecasted special projects.

2.2 Expenditure analysis

Statement of Authorities (see Appendix)

Vote 1 – Program expenditures

The authorities used during the second quarter (Q2) of 2014–15 and year-to-date (YTD) decreased by $1.8 million (to $9.1 million) or 16.5%, and by $3.4 million (to $20.1 million) or 14.7 % respectively, mainly due to:

- decrease in salary expenditures due to the payout of the accumulation of one-time severance pay for voluntary departures in the first and second quarters of 2013–14, and a reduction of 20 full-time equivalents (FTEs) from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS)
- increase in transfer payments due to timing of YTD payments in 2014–15, compared with the same period in 2013–14
- increase in other subsidies and payments, due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada during the first quarter of 2014–15

Contribution to employee benefit plans (EBP)

The authorities used during the second quarter of 2014–15 and YTD, which are monthly installments of the *Main Estimates* EBP amount, have decreased by $0.1 million (to $1.0 million) or 4.4%, and by $0.1 million (to $2.1 million) or 4.4% respectively, due to a decrease in the 2014–15 *Main Estimates* personnel expenditure authority under Vote 1 – Program expenditures.

Expenditures pursuant to subsection 21(3) of the NSCA

The authorities used during the second quarter of 2014–15 and YTD have decreased by $0.3 million (to $19.5 million), or 1.6%, and by $1.0 million (to $37.4 million), or 2.7%. The decrease is mainly due to a decrease in salary expenditures, which resulted from a 20 FTEs reduction from 2013–14 to 2014–15 (attributable to the shutdown of the Gentilly-2 NGS). The authorities used do not include any costs due to the one-time transition payment for implementing salary payment in arrears by the Government of Canada, as the entire amount is included under Vote 1 – Program expenditures.

Budgetary Expenditures by Standard Object (see Appendix)

Planned expenditures

The total planned expenditures for the year have decreased by $1.1 million (to $127.8 million), or 0.8%, when compared to the previous year. The decrease in planned expenditures for the year is due to:

- $3.0 million decrease in personnel costs, primarily due to the reduction in planned FTEs as a result of the shutdown of the Gentilly-2 NGS, a projected decrease in overtime expenditures, and delays in planned staffing
- $1.4 million decrease in transportation and communications costs, due mainly to telephone costs now being paid for by Shared Services Canada and an adjustment to the annual forecast from 2013–14
- $0.9 million increase in professional and special services, due to an increased use of information, telecommunications and management consultants for information management and information technology (IMIT) projects – such as the Desktop Modernization and Laboratory Information Management System (LIMS) – as well as the provision of a cost-free CNSC expert to the International Atomic Energy Agency (IAEA)
- $1.1 million increase in rentals, primarily due to an increase in accommodation costs
- $1.5 million increase in acquisition of machinery and equipment, due to a forecasted increase in planned CNSC projects
- $0.2 million decrease in other expenditure categories

Expended during the quarter

The total actual budgetary expenditures in the second quarter (Q2) decreased by $2.2 million (to $29.6 million), or 6.8%. The decrease in expenditures is due to:

- $3.6 million decrease in personnel costs, resulting from:
  - $3.4 million in payout of accumulation of one-time severance pay for voluntary departures in Q2 of 2013–14
  - $0.2 million from a net decrease in base salary
- $0.4 million increase in professional and special services, due to an increased use of information, telecommunications and management consultants for IMIT projects – such as Desktop Modernization and LIMS – as well as the provision of a cost-free CNSC expert to the IAEA
- $0.6 million increase in transfer payments, due to timing of payments in Q2 of 2014–15 (compared with Q2 of 2013–14)
- $0.2 million increase in transport and communications for relocation and international travel, attributable to increased international obligations
- $0.2 million increase in repair and maintenance, due to timing of payments for repairs to office buildings in Q2 of 2014–15 (compared with Q2 of 2013–14)

Year-to-date used at quarter-end

The YTD actual budgetary expenditures decreased by $4.6 million (to $59.6 million), or 7.1% when compared to the previous year. The decrease in planned expenditures for the year is due to:

- $9.0 million decrease in personnel costs, resulting from:
  - $8.1 million in payout of accumulation of one-time severance pay for voluntary departures in Q2 of 2013–14

  - $0.7 million from a net decrease in base salary
  - $0.2 million from a net decrease in other salary categories
- $0.7 million increase in professional and special services, due to an increased use of information, telecommunications and management consultants for IMIT projects – such as Desktop Modernization and LIMS – as well as the provision of a cost-free CNSC expert to the IAEA
- $0.5 million increase in transfer payments, due to timing of payments in Q1 and Q2 of 2014–15 (compared with Q1 and Q2 of 2013–14)
- $3.1 million increase in other subsidies and payments, due to a one-time transition payment for implementing salary payment in arrears by the Government of Canada
- $0.1 million increase in other expenditure categories

3. Risks and Uncertainties

Most of the CNSC's expenditures are funded through revenue from fees received from the industry. While the authority to spend revenues provides a sustainable and timely funding regime to address the changes in the regulatory oversight workload, it also poses a financial risk, due to changing industry patterns and global economies.

Over the past year, the CNSC has made adjustments to its plans, to adequately respond to reduced industry activity. In addition to the shutdown announcement for Hydro-Québec's Gentilly-2 Nuclear Generating Station (NGS) in Bécancour, Quebec (on December 28, 2012) and delays in proceeding with new uranium mine projects, the Ontario government announced (on October 10, 2013) that it will defer investing, for the foreseeable future, in new nuclear generating reactors at the Ontario Power Generation's (OPG) Darlington NGS. This latest announcement does not create a risk to the current year's financial plan, and its impact on future plans is currently under review, as part of organizational scenario planning and a wider strategic planning exercise. There is also a legal challenge for the refurbishment of OPG's Darlington NGS. The CNSC is not a respondent in the matter.

In addition to above-mentioned items, there is also uncertainty related to the licensing process for OPG's proposed Deep Geologic Repository for low-to intermediate-level radioactive waste. The future licensing of the repository depends on the environmental assessment currently underway (via a Joint Review Panel) and on the Minister of Environment's decision. The decision could impact the current year's financial plan.

4. Significant Changes in Relation to Operations, Personnel and Programs

There have been no significant changes in relation to operations, personnel and programs during the second quarter of 2014–15.

5. *Economic Action Plan 2012* (Budget 2012) Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented to refocus government and programs, make it easier for Canadians and business to deal with their government; and modernize and reduce the back office.

The CNSC has achieved Budget 2012 savings of $1.3 million by the end of the 2013–14 fiscal year. These savings were gained through efficiency measures and program reductions that align resources to the CNSC's core mandate, scaling back where the need is reduced, transforming how the regulator works internally, and consolidating and streamlining its activities. With these changes, the CNSC will focus on supporting management excellence and accountability across the federal public service.

In 2012–13 (the first year of implementation), the CNSC achieved savings of $0.5 million. The proposed measures have resulted in ongoing savings of $1.3 million by 2013–14.

In Budget 2012, the CNSC also received a permanent incremental funding of $7.6 million through Vote 1 – Program expenditures and statutory authority contributions to employee benefit plans. The incremental funding to renew sunsetting funds allowed the CNSC to cover the costs of licensing nuclear equipment and substances at educational institutions, medical institutions and government departments.

6. Approval by Senior Officials

Approved by:

Original signed by

Stéphane Cyr
Chief Financial Officer

Original signed by

Michael Binder
President

Ottawa, Canada
Date: *November 21, 2014*

Appendix

Statement of Authorities (*unaudited*)

(in thousands of dollars)	Fiscal year 2014–15			Fiscal year 2013–14		
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended September 30, 2014	Year-to-date used at quarter-end	Total available for use for the year ended March 31, 2014 *	Used during the quarter ended September 30, 2013	Year-to-date used at quarter-end
Vote 1 – Program expenditures	38,216	9,073	20,084	34,977	10,863	23,532
Budgetary statutory authorities						
Contribution to employee benefit plans	4,167	1,042	2,083	4,358	1,090	2,179
Expenditures pursuant to paragraph 21(3) of the *Nuclear Safety and Control Act*	85,378	19,488	37,389	89,486	19,806	38,418
Total budgetary authorities	**127,761**	**29,603**	**59,556**	**128,821**	**31,759**	**64,129**
Non-budgetary authorities	-	-	-	-	-	-
Total authorities	**127,761**	**29,603**	**59,556**	**128,821**	**31,759**	**64,129**

More information is available in the attached table.
* Includes only authorities available for use and granted by Parliament at quarter-end.

Departmental Budgetary Expenditures by Standard Object (*unaudited*)

(in thousands of dollars)	Fiscal year 2014–15			Fiscal year 2013–14		
	Planned expenditures for the year ending March 31, 2015 *	Expended during the quarter ended September 30, 2014	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended September 30, 2013	Year-to-date used at quarter-end
Expenditures:						
Personnel	88,032	22,319	43,968	90,983	25,912	53,001
Transportation and communications	4,972	1,186	2,282	6,344	962	2,007
Information	1,311	285	496	1,181	170	388
Professional and special services	19,619	3,368	5,710	18,678	2,968	5,015
Rentals	4,928	1,038	2,121	3,823	1,102	2,261
Repair and maintenance	2,092	326	376	2,050	172	225
Utilities, materials and supplies	1,082	127	218	1,246	165	269
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	4,095	261	417	2,582	203	556
Transfer payments	1,613	715	881	1,770	108	356
Other subsidies and payments	17	(22)	3,087	164	(3)	51
Total gross budgetary expenditures	**127,761**	**29,603**	**59,556**	**128,821**	**31,759**	**64,129**
Total net budgetary expenditures	**127,761**	**29,603**	**59,556**	**128,821**	**31,759**	**64,129**

* Includes only authorities available for use and granted by Parliament at quarter-end.